

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN EXAMINATION BY THE PUBLIC	)	
SERVICE COMMISSION OF THE	)	
APPLICATION OF THE FUEL ADJUST-	)	CASE NO.
MENT CLAUSE OF SALT RIVER RURAL	)	8612-C
ELECTRIC COOPERATIVE CORPORATION	)	
FROM NOVEMBER 1, 1983 TO	)	
APRIL 30, 1984	)	

O R D E R

Pursuant to 807 KAR 5:056, Section 1(11), the Public Service Commission ("Commission") issued an Order on July 11, 1984, requiring Salt River Rural Electric Cooperative Cooperation ("Salt River") to notify its customers of a hearing to be held on August 2, 1984. Salt River was not required to appear at the scheduled hearing unless an appearance was requested by the Attorney General's Division of Consumer Protection or other interested parties, or by the Commission on its own motion. Furthermore, Salt River filed an affidavit stating its compliance with the provisions of the Fuel Adjustment Clause ("FAC") as prescribed in 807 KAR 5:056. Salt River also filed its monthly fuel charges for the 6-month period under review.

Following proper notice, no party of record requested Salt River to appear at the hearing scheduled for August 2, 1984. However, on August 2, 1984, Owens-Illinois, Inc., ("O-I") filed a motion to intervene in the FAC proceedings. O-I requested that the Commission schedule a hearing at a later date or allow O-I to

file written comments so that it may state its position concerning the calculation of the line loss component included in Salt River's FAC.

In its Order of August 14, 1984, the Commission granted O-I's request to file written comments concerning Salt River's line loss calculation. Hence, O-I filed its written comments on August 31, 1984, claiming that LPR-1 customers were being charged for a "phantom" line loss as part of the FAC. O-I stated that this phantom line loss is a result of Salt River's system average line loss being applied to its FAC rate even though O-I has no line loss, since it is served directly by East Kentucky Power Cooperative Corporation's electric transmission facilities via a substation. Thus, O-I requested the Commission to require Salt River to eliminate the line loss charge from LPR-1 rates.

Salt River filed its response to O-I's comments on September 27, 1984, claiming that it had complied with the provisions of 807 KAR 5:056, and correctly calculated and applied the FAC as set forth by the Commission. Furthermore, Kenneth Hazelwood, manager of Salt River, stated that, "Although O-I counsel is correct in stating that no line loss is associated with rate class LPR-1, Salt River has not over adjusted the FAC for line loss that did not exist."<sup>1</sup> Mr. Hazelwood also pointed out that calculating a separate FAC rate for O-I would not create any undue hardship for Salt River, but it would create additional

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<sup>1</sup> Comments of Salt River Rural Electric Cooperative Corporation regarding the Application of the Uniform Fuel Adjustment Clause dated September 26, 1984, p. 2.

record keeping and expense for Salt River.<sup>2</sup>

One objective of the FAC is to keep the FAC rate as close to zero as possible while allowing the electric companies to recover fuel expenses in a timely manner which is accomplished by rolling fuel expenses into the base rates every 2 years. The Commission would like to point out that, although O-I is billed more because of the inclusion of line loss in the calculation of the FAC rate when it is a charge, O-I gets a larger refund than is due them when the FAC rate is a credit. During the 6-month period under review Salt River's FAC rate was a credit for 5 out of 6 months. The Commission would expect these fluctuations to equal out over time. While the Commission understands O-I's position, the Commission is not convinced that such treatment should be afforded O-I especially in light of the additional burden and expense that Salt River must incur to accommodate O-I. After reviewing Salt River's monthly fuel clause filings for the 6-month period under review, the Commission is of the opinion that Salt River has complied with the provisions of 807 KAR 5:056 and O-I's request should be denied.

IT IS THEREFORE ORDERED that the charges collected by Salt River through the fuel adjustment clause for the period November 1, 1983, through April 30, 1984, be and they hereby are approved.

IT IS FURTHER ORDERED that O-I's request to require Salt River to eliminate the line loss charge from LPR-1 rates be and it hereby is denied.

Done at Frankfort, Kentucky, this 17th day of October, 1984.

PUBLIC SERVICE COMMISSION

*Richard D. Hermann*  
Chairman

*Paul H. Smith*  
Vice Chairman

*Barbara Smith*  
Commissioner

ATTEST:

Acting Secretary \_\_\_\_\_